

03/25/2019

2019 DISCOUNT RATES

The FEMP discount rates for 2019 are valid until the 2020 Discount Rate Memo is produced and disseminated. They are as follows:

Real discount rate:	3.0 %
Nominal discount rate:	3.1 %
Implied long-term inflation rate:	0.1 % ¹

Calculated long-term inflation rate:	2.3 %
Calculated real discount rate:	0.8 %

The 2019 OMB discount rates (for cost-effectiveness, lease/purchase, internal government investment, and asset sales) are, as of February 25:

Real:

3-year:	1.3 %
5-year:	1.3 %
7-year:	1.3 %
10-year:	1.4 %
20-year:	1.5 %
30-year:	1.5 %

Nominal:

3-year:	3.3 %
5-year:	3.3 %
7-year:	3.4 %
10-year:	3.4 %
20-year:	3.5 %
30-year:	3.6 %

OMB inflation rates:

3-year:	2.0 %
5-year:	2.0 %
7-year:	2.1 %
10-year:	2.0 %
20-year:	2.0 %
30-year:	2.1 %

¹ The procedure specified in 10 CFR 436A, *FEMP Life Cycle Cost Methodology and Procedures*, for calculating the real FEMP discount rate resulted in a discount rate of 0.8 % for 2019, which is lower than the prescribed floor of 3 %. Hence the 3 % floor is used as the real discount rate for FEMP analyses in 2019. Given the nominal discount rate of 3.1 %, the implied long-term inflation rate used in BLCC5 is then 0.1 %.

The 2019 real discount rate for public investment and regulatory analyses remains at 7%. However, in Circular A-4, released September 2003, OMB recommends that two estimates be submitted, one calculated with a real discount rate of 7 % and one calculated with a real discount rate of 3 %.